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RR RUEHCN RUEHGH RUEHVC  
DE RUEHGZ #2430/01 3530733  
ZNR UUUUU ZZH  
R 190733Z DEC 06  
FM AMCONSUL GUANGZHOU  
TO RUEHC/SECSTATE WASHDC 5600  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUCPDOC/USDOC WASHDC  
RUEAUSA/DEPT OF HHS WASHDC  
RUEAEPA/HQ EPA WASHDC  
RUEKJCS/DIA WASHDC  
RUEAIIA/CIA WASHDC  
RHFMUNA/HQ USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 02 GUANGZHOU 032430

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STATE FOR OES/OGC, OES/ENV AND OES/PCI/STEWART  
USDOC FOR 4420/ITA/MAC/MCQUEEN, DAS LEVINE  
USPACOM FOR FPA  
EPA FOR OFFICE OF WATER  
HHS FOR OGHA

E.O. 12958: N/A

TAGS: SENV SOCI PGOV CH

SUBJECT: South China Environmental Brief

**¶1.** (U) This cable summarizes the following recent environmental events in South China:

-- U.S. venture capital interested in China's environmental sector.  
-- Raising water prices to pay for treatment plants.  
-- Euro III vehicle emission standards for Guangdong.  
-- Pollution from mining industry in Guangxi.  
-- Guangxi environmental protesters on trial.

U.S. VENTURE CAPITAL SEES OPPORTUNITY  
IN CHINA'S ENVIRONMENTAL SECTOR

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**¶2.** (U) Reuters reported that U.S. venture capital companies are increasingly interested in China's environmental sector. Venture capital executives said China's plans to reduce pollution and improve energy efficiency in its 11th Five-year Plan pave the way for the creation of clean energy and other environmental start-ups. Opportunities exist for investment in the alternative energy, waste-water treatment, air pollution control, and recycling industries. U.S. investment would be particularly welcome in southern China water treatment plants, desulfurization equipment, air pollution computer modeling, and soil pollution cleanup technologies.

RAISING WATER PRICES TO PAY FOR TREATMENT PLANTS

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**¶3.** (U) The Chinese government will raise water prices nationwide to promote conservation and efficiency in a reform of the country's water pricing scheme, according to the Ministry of Water Resources website. Domestic water prices would be tiered with higher fees for heavy consumers. Li Yunsheng, from the Chinese Academy for Environmental Planning, said inadequate supply, under-priced water, and a lack of conservation awareness were major problems. Li said waste-water treatment fees were expected to rise to RMB 0.8 (USD 0.1) per ton, compared to the current RMB 0.1 per ton. Guangdong plans to build 164 water treatment plants over the next five years.

EURO III VEHICLE EMISSION STANDARDS FOR GUANGDONG

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**¶4.** (U) The State Council has approved Guangdong's request

to apply Euro III standards for vehicle emissions in Pearl River Delta (PRD) cities. While the standards would only apply to newly registered vehicles, it is a step in the right direction towards reducing vehicular pollution, a significant contributor to PRD smog. The standards could be enforced as early as January 2007.

POLLUTION FROM MINING INDUSTRY  
IN GUANGXI ZHUANG AUTONOMOUS REGION

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¶ 15. (U) According to a Radio Free Asia report, residents of Guangxi's Guo'an village near Dali township are experiencing health problems from waste discharged by lead and zinc mines. Aside from the pollution in the river itself, local doctors say the pollution has reached the groundwater, and local officials have closed one well in Guo'an. One villager claims that there is no longer any vegetation growing upstream where the mines have their outlet, the fish have died, and farmers are having trouble growing any crops. In 2004, one of the mines agreed to compensate the villagers for the pollution, but the pollution has worsened since then. Villagers have demanded a revised compensation deal and even staged a sit-in at one of the mines in August. Residents claim that 30% of villagers have had kidney stones. One 17-year old resident died of "kidney poisoning," according to doctors in Nanning.

GUANGXI ENVIRONMENTAL PROTESTERS ON TRIAL

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¶ 16. (U) Five environmental activists who were arrested for  
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protesting the construction of a manganese electrolyte plant in Guangxi went on trial in early December, according to court official quoted in an Associated Press report. The five were arrested after leading a sit-in of 1,000 villagers who were upset that the plant was being built close to their homes. The area is already the site of several plants which villagers say have caused widespread environmental damage.

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